

**CHINA PARTNER, INC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

## CONTENTS

Accountants' Compilation Report	2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
Schedules of Functional Expenses	10



Board of Directors  
China Partner, Inc  
Littleton, Colorado

Management is responsible for the accompanying financial statements of China Partner, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

### Supplementary Information

The supplementary schedules of functional expenses contained in page 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

April 19, 2017  
Denver, Colorado

400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246  
303 733-3796 • FAX 303 733-6230 • [www.pnacpa.com](http://www.pnacpa.com)

CHINA PARTNER, INC  
STATEMENTS OF FINANCIAL POSITION  
See Accountants' Compilation Report

December 31,	2016	2015
<u>Assets</u>		
Cash and cash equivalents	\$ 39,917	\$ 70,161
Investments	116,052	110,705
Prepaid expenses	9,424	5,979
Property and equipment, net of accumulated depreciation	150,409	150,603
Total Assets	\$ 315,802	\$ 337,448
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 20,325	\$ 18,056
Net assets		
Unrestricted		
Undesignated	167,504	203,037
Board designated	120,667	115,628
	288,171	318,665
Temporarily restricted	7,306	727
Total net assets	295,477	319,392
Total Liabilities and Net Assets	\$ 315,802	\$ 337,448

The accompanying notes are an integral part of these financial statements.  
No assurance is provided on these financial statements

CHINA PARTNER, INC  
STATEMENTS OF ACTIVITIES  
See Accountants' Compilation Report

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>For the Year Ended December 31, 2016:</u>			
Support and Revenue			
Contributions	\$ 266,161	\$ 61,925	\$ 328,086
Investment income	6,992	0	6,992
Net assets released from restrictions	<u>55,346</u>	<u>(55,346)</u>	<u>0</u>
Total Support and Revenue	<u>328,499</u>	<u>6,579</u>	<u>335,078</u>
Expenses			
Program services			
Ministries	297,485		297,485
Support services			
General and administrative	47,687		47,687
Fundraising	<u>13,821</u>		<u>13,821</u>
Total Expenses	<u>358,993</u>		<u>358,993</u>
Changes in net assets	(30,494)	6,579	(23,915)
Net assets at beginning of year	<u>318,665</u>	<u>727</u>	<u>319,392</u>
Net assets at end of year	<u>\$ 288,171</u>	<u>\$ 7,306</u>	<u>\$ 295,477</u>
<u>For the Year Ended December 31, 2015:</u>			
Support and Revenue			
Contributions	\$ 345,616	\$ 11,376	\$ 356,992
Investment income	793	0	793
Net assets released from restrictions	<u>11,300</u>	<u>(11,300)</u>	<u>0</u>
Total Support and Revenue	<u>357,709</u>	<u>76</u>	<u>357,785</u>
Expenses			
Program services			
Ministries	305,101		305,101
Support services			
General and administrative	49,992		49,992
Fundraising	<u>15,379</u>		<u>15,379</u>
Total Expenses	<u>370,472</u>		<u>370,472</u>
Changes in net assets	(12,763)	76	(12,687)
Net assets at beginning of year	<u>331,428</u>	<u>651</u>	<u>332,079</u>
Net assets at end of year	<u>\$ 318,665</u>	<u>\$ 727</u>	<u>\$ 319,392</u>

The accompanying notes are an integral part of these financial statements.  
No assurance is provided on these financial statements

CHINA PARTNER, INC  
STATEMENTS OF CASH FLOWS  
See Accountants' Compilation Report

<u>For the Years Ended December 31,</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 328,086	\$ 356,992
Interest received	5,041	4,934
Cash paid to suppliers and employees	<u>(356,076)</u>	<u>(368,274)</u>
Net cash provided by (used in) operating activities	<u>(22,949)</u>	<u>(6,348)</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(3,899)	(3,352)
Sale of investments	1,776	2,195
Purchase of investments	<u>(5,172)</u>	<u>(3,401)</u>
Net cash used in investing activities	<u>(7,295)</u>	<u>(4,558)</u>
Net increase in cash	(30,244)	(10,906)
Cash and cash equivalents at beginning of year	<u>70,161</u>	<u>81,067</u>
Cash and cash equivalents at end of year	<u>\$ 39,917</u>	<u>\$ 70,161</u>
Reconciliation of changes in net assets to cash provided by operating activities:		
Changes in net assets	\$ (23,915)	\$ (12,687)
Reconciling adjustments		
Depreciation	4,093	3,665
(Gain) loss on investments	(1,951)	4,141
Change in operating assets and liabilities:		
Prepaid expenses	(3,445)	(700)
Accounts payable and accrued expenses	<u>2,269</u>	<u>(767)</u>
Net cash provided by (used in) operating activities	<u>\$ (22,949)</u>	<u>\$ (6,348)</u>

The accompanying notes are an integral part of these financial statements.  
No assurance is provided on these financial statements

CHINA PARTNER, INC  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

China Partner, Inc. (China Partner) is a not-for-profit corporation whose mission is to help the Church in China fulfill the Great Commission through training emerging Christian leaders. The strategy is to train leaders in evangelism, evangelistic preaching, pastoral care, and leadership in the existing seminaries and Bible schools in China. The ministry sends teams to teach in Chinese seminaries and Bible Schools and gives free workbooks and notes to all students. China Partner also provides pastors and churches with mini-libraries at no charge. Most materials are printed in China in the Chinese Language.

China Partner has affiliate organizations in Canada, Germany, Hong Kong, and New Zealand. These organizations are separate entities in the countries they are located and are not under the control of China Partner. Accordingly, the financial resources of these organizations are not included in these financial statements. During the years ended December 31, 2016 and 2015, affiliates provided 39% and 45% of total contributions, respectively.

China Partner is incorporated under the laws of the State of Florida and is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. China Partner has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. China Partner did not have any material unrelated business income tax liability for the years 2016 and 2015. China Partner's tax filings are subject to audit by various taxing authorities. The Organization's ending open audit periods are December 31, 2013 through 2016. China Partner believes it has no significant uncertain tax positions for the periods ended December 31, 2016 and 2015.

The significant accounting policies are described below.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Board designated unrestricted funds represent amounts the Board has set aside to fund future operations during difficult economic times.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations

In 2016 the Organization received 16% of its total contributions from one Church.

No assurance is provided on these financial statements

CHINA PARTNER, INC  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services shall be recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Capital Assets

Expenditures for land, buildings and equipment of \$500 or more are recorded at cost, if purchased, or at fair value on the date of the gift if donated.

Depreciation of buildings and equipment is provided using the straight-line method over the estimated useful lives of the assets.

Cash Deposits in Excess of Federally Insured Limits

The Organization has determined that current operational cash needs will occasionally result in cash balances in excess of insured limits.

Allocation of Expenses

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

Subsequent Events

The Organization's financial statements were available to be issued on April 19, 2017, and this is the date through which subsequent events were evaluated. The Organization did not identify any subsequent events requiring disclosure.

Other Matters

Advertising costs are expensed as incurred.



CHINA PARTNER, INC  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments held as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Equities	\$ 75,071	\$ 71,579
Mutual funds	<u>40,981</u>	<u>39,126</u>
	<u>\$ 116,052</u>	<u>\$ 110,705</u>

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). All of China Partner's investments are valued using Level 1, which are described as inputs to the valuation methodology which are unadjusted quoted prices for identical assets or liabilities in active markets that China Partner has the ability to access.

	<u>2016</u>	<u>2015</u>
Composition of investment return:		
Interest and dividends	\$ 5,041	\$ 4,934
Realized and unrealized gains	<u>1,951</u>	<u>(4,141)</u>
	<u>\$ 6,992</u>	<u>\$ 793</u>

NOTE 3 - PROPERTY, EQUIPMENT AND DEPRECIATION

	<u>2016</u>	<u>2015</u>
Land and Building	\$ 179,381	\$ 179,381
Furniture and equipment	<u>20,762</u>	<u>16,863</u>
	200,143	196,244
Less: accumulated depreciation	<u>(49,734)</u>	<u>(45,641)</u>
	<u>\$ 150,409</u>	<u>\$ 150,603</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, temporarily restricted net assets were available for pastoral training and student assistance.

Temporarily restricted net assets were released from donor restrictions by satisfying the restricted purposes as follows:

	<u>2016</u>	<u>2015</u>
Pastoral training	\$ 55,346	\$ 1,300
China study books/library	<u>0</u>	<u>10,000</u>
	<u>\$ 55,346</u>	<u>\$ 11,300</u>

No assurance is provided on these financial statements

CHINA PARTNER, INC  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENTS

The Organization's endowments consist of various term-endowment funds. As required by the generally accepted accounting principles, net assets associated with the endowment funds, including term-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted and temporarily restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted and term-endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Changes in term-endowment net assets for the years ended December 31, 2016 and 2015 are reflected in the statements of activities.

NOTE 7 - DEFINED CONTRIBUTION PLAN

China Partner has in place a retirement plan under section 403(b) of the Internal Revenue Code for its employees. China Partner will match 100% of an employee's contribution up to 5% of their compensation, depending on length of service with China Partner. Employer contributions to the plan for the years ended December 31, 2016 and 2015, were \$3,861 and \$3,218, respectively.

CHINA PARTNER, INC  
SCHEDULES OF FUNCTIONAL EXPENSES  
See Accountants' Compilation Report

	For the Year Ended December 31,			2016
	<u>Program</u>	<u>General Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 200,490	\$ 34,664	\$ 11,142	\$ 246,296
China projects and programs	56,875	0	0	56,875
Communications	4,842	405	276	5,523
Depreciation	3,276	614	203	4,093
Insurance	3,503	1,884	124	5,511
Occupancy	4,987	5,345	16	10,348
Office supplies	2,731	1,231	14	3,976
Postage and shipping	508	0	58	566
Printing and publications	14,873	319	1,688	16,880
Professional fees	5,400	3,225	300	8,925
	\$ 297,485	\$ 47,687	\$ 13,821	\$ 358,993

	For the Year Ended December 31,			2015
	<u>Program</u>	<u>General Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 223,535	\$ 32,235	\$ 11,225	\$ 266,995
China projects and programs	55,492	0	0	55,492
Communications	6,323	555	362	7,240
Conferences and meetings	128	406	125	659
Depreciation	2,932	550	183	3,665
Insurance	3,284	1,832	113	5,229
Occupancy	3,597	6,012	64	9,673
Office supplies	1,007	2,290	73	3,370
Postage and shipping	103	513	68	684
Printing and publications	8,700	232	3,166	12,098
Professional fees	0	5,367	0	5,367
	\$ 305,101	\$ 49,992	\$ 15,379	\$ 370,472

No assurance is provided on these financial statements